# AMENDED IN ASSEMBLY APRIL 30, 2013 AMENDED IN ASSEMBLY APRIL 8, 2013

CALIFORNIA LEGISLATURE—2013-14 REGULAR SESSION

## ASSEMBLY BILL

No. 7

# Introduced by Assembly Member Wieckowski

December 3, 2012

An act to amend Sections 3203, 3213, and 3215 of, to add Section 3215.5 to, and to add Article 3 (commencing with Section 3150) to Chapter 1 of Division 3 of, and to repeal Section 3157 of, the Public Resources Code, relating to oil and gas.

#### LEGISLATIVE COUNSEL'S DIGEST

AB 7, as amended, Wieckowski. Oil and gas: hydraulic fracturing. Under existing law, the Division of Oil, Gas, and Geothermal Resources, or the division, in the Department of Conservation, regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. The State Oil and Gas Supervisor, or the supervisor, supervises the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field regarding safety and environmental damage. Existing law requires an operator of a well, before commencing the work of drilling the well, to obtain approval from the State Oil and Gas Supervisor or a district deputy file with the supervisor or the district deputy a written notice of intention to commence drilling, and prohibits the commencement of drilling until approval is given by the supervisor or the district deputy. Existing law requires the operator of a well to keep, or cause to be kept, a careful and accurate log, core record, and history  $AB7 \qquad \qquad -2-$ 

of the drilling of the well. Within 60 days after the date of cessation of drilling, rework, or abandonment operations, the owner or operator is required to file with the district deputy certain information, including the history of work performed.

This bill would revise that procedure to instead require the operator to file an application before commencing drilling and would require, on and after January 1, 2014, additional information to be included in the application, including information regarding the chemicals, if any, to be injected into a well.

This bill would define, among other things, hydraulic fracturing and hydraulic fracturing fluid. The bill would require the owner or operator of a well to provide to the supervisor, or to arrange with the supplier to provide to the supervisor, specific information relating to hydraulic fracturing as a part of the history of the drilling of the well. The bill would provide that the owner or operator of a well may request in writing that the information required relating to hydraulic fracturing be considered confidential information under specific provisions. The bill would, on or before January 1, 2015, require the division, in consultation with the Office of Environmental Health Hazard Assessment and the Department of Toxic Substances Control, to establish a process through which all chemicals used in hydraulic fracturing treatments may be studied or reviewed. The bill would also provide that the owner, operator, or supplier who provides information to the supervisor relating to hydraulic fracturing may, at the time of submission, submit to the supervisor a claim in writing that some or all of the information is protected trade secret information, as specified. The bill would permit the supervisor, upon his or her own initiative, to make an initial determination as to whether the information claimed as trade secret has been properly claimed as trade secret information. The bill would require the supervisor to make an initial determination upon receipt of a request for public information, as specified. The bill would require the supervisor, within 45 days, to provide written notification of the initial determination to the person who provided the information and claims trade secret protection. The bill would provide specific processes for the person claiming trade secret protection to challenge the supervisor's initial determination within 30 days from the date of receipt of the initial determination by providing the supervisor with additional written justification for the trade secret claim. The bill would further require the supervisor, after making a final determination within 45 days of the date of receipt of the additional written justification that the information

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is not a trade secret, to make the information available to the public not sooner than 30 days from the date of the mailing of a copy of the final determination to the person who provided the additional written justification. The bill would also require the supervisor to send a notice of the final determination to the person who provided the additional written justification, if the information is determined to be a trade secret. The bill would provide that a person claiming trade secret protection is deemed to have waived his or her claim for trade secret if, on the date when the final determination requires that the information be made available to the public, he or she has not filed an action in a court of competent jurisdiction for a declaratory judgment or injunction prohibiting disclosure of the information by the supervisor. The bill would permit the supervisor to disclose information claimed to be a trade secret to specific government employees with a clear need for the information for an enforcement action or emergency response, as specified. The bill would require the operator, within 60 days of the cessation of hydraulic fracturing treatment, to post or cause to have posted on an Internet Web site accessible to the public specified information on hydraulic fracturing, as specified. The bill would further prohibit those with access to the trade secret from disclosing it, and would make a person who violates this prohibition guilty of a misdemeanor. Because this bill would create a new crime, it would impose a state-mandated local program.

This bill would require the supervisor, on or before January 1, 2014, and annually thereafter, to transmit to the Legislature a comprehensive report on hydraulic fracturing in the exploration and production of oil and gas resources in the state, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

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(a) Hydraulic fracturing has been used in California for several decades to extract oil and gas and is likely to be used more extensively as the industry seeks to develop additional oil-bearing and gas-bearing formations.

- (b) The Division of Oil, Gas, and Geothermal Resources in the Department of Conservation, which has the obligation to protect public health and the natural resources of the state, including groundwater resources, has the authority to regulate all oil and natural gas drilling in the state, but currently does not require the disclosure of pertinent information regarding hydraulic fracturing or ascertain all specific types of production and exploration taking place at permitted wells.
- (c) Given California's geologic, seismic complexity, and its finite and significantly compromised water resources, it is important to collect basic information about natural resource production processes. The state and the public should know when and where hydraulic fracturing is occurring and what chemicals are being used in the process.
- SEC. 2. Section 3203 of the Public Resources Code is amended to read:
- 3203. (a) The operator of any well, before commencing the work of drilling the well, shall file with the supervisor or the district deputy a written notice of intention an application to commence drilling. Drilling shall not commence until approval of the application is given by the supervisor or the district deputy. If the supervisor or the district deputy fails to give the operator a written response to the notice application within 10 working days from the date of receipt, that failure shall be considered as an approval of the notice application and the notice, application, for the purposes and intents of this chapter, shall be deemed a written report of the supervisor. If operations have not commenced within one year of receipt of the notice, application, the notice application shall be deemed canceled. The notice application shall contain the pertinent data the supervisor requires on printed forms supplied by the division or on other forms acceptable to the supervisor. The supervisor may require other pertinent information to supplement the notice application.
- (b) (1) On and after January 1, 2014, in addition to the information required in the application under subdivision (a), the

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1 application shall additionally include all of the following 2 information:

- (A) The type of exploration and production techniques that the operator will use at the well or wells.
- (B) A complete list of the chemicals, if any, that will be injected into the well for hydraulic fracturing or other production enhancement methods in the exploration or production process or processes. This list of chemicals shall include all of the following information:
  - (i) The name of the chemical.
- (ii) The purpose of the chemical in the production or exploration process.
  - (iii) The Chemical Abstract Service numbers for the chemical.
  - (iv) The estimated total amount of the chemical used.
- (2) If any of the information required pursuant to paragraph (1) changes over the course of the exploration and production process, the operator shall immediately notify the supervisor.

<del>(b)</del>

(c) After the completion of any well, this section also applies as far as may be, to the deepening or redrilling of the well, any an operation involving the plugging of the well, or any operations permanently altering in any manner the casing of the well. The number or designation of any a well, and the number or designation specified for any a well in a notice an application filed as required by this section, shall not be changed without first obtaining a written consent of the supervisor.

<del>(e)</del>

(d) If an operator has failed fails to comply with an order of the supervisor, the supervisor may deny approval of proposed well operations until the operator brings its existing well operations into compliance with the order. If an operator has failed fails to pay a civil penalty, remedy a violation that it is required to remedy to the satisfaction of the supervisor pursuant to an order issued under Section 3236.5, or to pay any charges assessed under Article 7 (commencing with Section 3400), the supervisor may deny approval to the operator's proposed well operations until the operator pays the civil penalty, remedies the violation to the satisfaction of the supervisor, or pays the charges assessed under Article 7 (commencing with Section 3400).

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SEC. 2.

SEC. 3. Section 3213 of the Public Resources Code is amended to read:

3213. The history shall show the location and amount of sidetracked casings, tools, or other material, the depth and quantity of cement in cement plugs, the shots of dynamite or other explosives, the results of production and other tests during drilling operations, and the information required pursuant to Section 3156. SEC. 3.

SEC. 4. Article 3 (commencing with Section 3150) is added to Chapter 1 of Division 3 of the Public Resources Code, to read:

## Article 3. Hydraulic Fracturing

- 3150. "Chemical Abstracts Service" means the division of the American Chemical Society that is the globally recognized authority for information on chemical substances.
- 3151. "Chemical Abstracts Service (CAS) number" means the unique identification number assigned to a chemical by the Chemical Abstracts Service.
- 3152. "Hydraulic fracturing" is a well stimulation treatment that may include the application of hydraulic fracturing fluids into an underground geologic formation in order to create fractures in the formation, thereby causing or improving the production of oil or gas from a well.
- 3153. "Hydraulic fracturing fluid" includes water or other carrier fluids that may be mixed with physical and chemical additives for the purpose of hydraulic fracturing. The additives may, but are not required to, serve additional purposes beyond the transmission of hydraulic pressure to the geologic formation. Additives may be of any phase and may include proppants.
- 3154. "Proppants" are materials inserted or injected into the formation that are intended to prevent newly created or enhanced fractures from closing.
- 3155. "Supplier" means an entity performing hydraulic fracturing or a person supplying an additive or proppant directly to the operator for use in hydraulic fracturing a well.
- 3156. If hydraulic fracturing is performed on a well, the owner or operator of the well shall provide to the supervisor, or shall arrange with the supplier to provide to the supervisor, and shall

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include in the well history maintained pursuant to Section 3213, all of the following information, except for information claimed as a trade secret pursuant to Section 3158:

- (a) A complete list of the chemical constituents formulated for use in the hydraulic fracturing fluid that is injected into the well and each chemical's associated CAS numbers. Where the CAS number does not exist, the operator or supplier may provide another unique identifier where available.
- (b) The purpose of each additive contained in the hydraulic fracturing fluid.
- (c) The estimated total amount of the additives in the hydraulic fracturing fluid.
- (d) The estimated maximum concentration of each chemical constituent in the additive as disclosed on a material safety data sheet in the hydraulic fracturing fluid expressed as a percentage by mass.
- (e) The estimated maximum concentration of each chemical constituent disclosed on a material safety data sheet in the hydraulic fracturing fluid, expressed as a percentage by mass.
- (f) The amount and source of any water suitable for irrigation or domestic purposes used to conduct the hydraulic fracturing treatment of the well.
- (g) The amount and disposition of water and hydraulic fracturing fluid recovered from each well where hydraulic fracturing occurred prior to the reporting of the water produced pursuant to Section 3227.
- (h) Any radiological components or tracers injected into the well as part of the hydraulic fracturing process and a description of the recovery method, if any, for those components or tracers, the recovery rate, and the disposal method for recovered components or tracers.
- 3157. (a) The owner or operator of a well may request in writing that the information required by Section 3156 be considered confidential information pursuant to Section 3234.
- (b) For nonexploratory wells where hydraulic fracturing is used to complete or rework a well, the owner or operator may request in writing that the information required by Section 3156 be considered confidential information pursuant to Section 3234.
- (c) This section shall become inoperative on January 1, 2017, and, as of that date, is repealed, unless a later enacted statute, that

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becomes operative on or before January 1, 2017, deletes or extends
the date on which it becomes inoperative and is repealed.

3157.5. (a) The owner or operator, of a well may request in writing that the information required by Section 3156 be considered confidential information pursuant to Section 3234.

- (b) This section shall become operative on January 1, 2017.
- 3157. On or before January 1, 2015, the division, in consultation with the Office of Environmental Health Hazard Assessment and the Department of Toxic Substances Control, shall establish a process through which all chemicals used in hydraulic fracturing treatments may be studied or reviewed, a list containing any restricted or prohibited toxic chemicals, and a list containing any restricted or prohibited locations deemed extremely vulnerable to a spill or release of chemicals.
- 3158. (a) The owner, operator, or supplier who provides information to the supervisor in accordance with Section 3156 may, at the time of submission, submit to the supervisor a claim in writing that some or all of the information is protected trade secret information as defined in the Uniform Trade Secrets Act (Title 5 (commencing with Section 3426) of Part 1 of Division 4 of the Civil Code).
- (b) The written claim submitted to the supervisor under paragraph (a) shall state the reasons for the trade secret information and provide specific supporting documentation.
- 3159. (a) The owner, operator, or supplier who provides information to the supervisor and who claims trade secret protection shall submit two versions of the information required under Section 3156 as follows:
- (1) The first version shall be labeled "Confidential Information Do Not Disclose" and shall include all the information required under Section 3156.
- (2) (A) The second version shall be labeled "Public Information This Information shall be Disclosed to the Public," provide an explanation of the basis for the claim of trade secrecy, and include all of the information required under Section 3156, except that the specific name of any constituent that is claimed as trade secret information shall be replaced with the chemical family associated with the trade secret constituent, the corresponding CAS number shall be replaced with the phrase "Trade Secret Information," and all other trade secret information shall be redacted.

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(B) The information contained in the version pursuant to paragraph (2) shall be made available to the public in accordance with Section 3215 or upon request by a member of the public pursuant to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

- (b) The supervisor shall keep the version under paragraph (1) of subdivision (a) confidential until the person claiming trade secret protection waives its claim pursuant to subdivision (d) of Section 3161 or the claim of trade secret protection is determined to be invalid by a court of competent jurisdiction.
- 3160. If the person claiming trade secret protection pursuant to Section 3158 is a supplier, the supplier shall only provide the well owner or operator with the version pursuant to paragraph (2) of subdivision (a) of Section 3159 so the owner or operator may include the information required in the history of the drilling of the well pursuant to Section 3213.
- 3161. (a) (1) The supervisor, upon his or her own initiative, may determine whether any or all of the information claimed as a trade secret pursuant to Section 3158 has been properly claimed as trade secret information. If the supervisor determines that the information is not trade secret, the supervisor shall provide written notification of the determination to the person who furnished the information within 45 days. The written notification shall be sent by certified mail.
- (2) Upon receipt of a request for public information pursuant to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code, the supervisor shall determine whether any or all of the information claimed as a trade secret pursuant Section 3158 has been properly claimed as trade secret information. If the supervisor determines that the information is not trade secret, the supervisor shall provide written notification of the determination to the person who furnished the information within 45 days. The written notification shall be sent by certified mail.
- (b) (1) The person who provided the trade secret information under Section 3159 shall have 30 days from the date of receipt of a written notification of the determination under subdivision (a) to provide the supervisor with additional written justification of the grounds on which trade secret protection is claimed. The additional written justification shall be submitted by certified mail.

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(2) The additional written justification is not a public record under subdivision (e) of Section 6252 of the Government Code, and shall be disclosed by the supervisor only to state employees with a clear need to know the information to reassess the trade secrecy determination.

- (c) (1) The supervisor shall make a final determination on whether the additional written justification under subdivision (b) satisfies a claim for trade secret protection, within 45 days of the date of receipt of the additional written justification.
- (A) If the supervisor makes a final determination that the information is not protected as a trade secret, the supervisor, within 45 days, shall send a copy of the final determination to the person who provided the additional written justification, specifying a date, not sooner than 30 days from the date of the mailing of the final determination, when the information claimed to be trade secret information shall be made available to the public. The notice of the final determination shall be sent by certified mail.
- (2) If the supervisor makes a final determination that the information is protected as a trade secret, the supervisor, within 45 days, shall send a copy of the final determination, including information stating that the determination may be challenged in court, to the person who provided the additional written justification and to any person who requested the information pursuant to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code. The notice of the final determination shall be sent by certified mail.
- (d) (1) A person claiming trade secret protection shall be deemed to have waived his or her claim for trade secret protection if, on the date when the final notice states that the information shall be made available to the public pursuant to subparagraph (A) of paragraph (1) of subdivision (c), he or she has not filed an action in a court of competent jurisdiction for a declaratory judgment or injunction prohibiting disclosure of the information by the supervisor after a final determination under subdivision (c).
- (2) A person claiming trade secret protection may, at any time, waive a claim of trade secret protection by submitting a voluntary waiver of the claim to the supervisor in writing.
- 3162. (a) The supervisor may disclose information claimed as trade secret information to an officer or employee of the county, city, state, or federal government who has a clear need for the trade

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1 secret information for an enforcement action or emergency 2 response.

- (b) The information provided under subdivision (a) shall be clearly labeled as "Confidential trade secret information."
- (c) An officer or employee who-receive receives information under subdivision (a) shall maintain the confidentiality of the information and shall destroy all copies received once the need for the information has ended.
- 3163. Nothing in this article is intended to change or supersede the disclosure of information pursuant to the California Occupational Safety and Health Act of 1973 (Part 1 (commencing with Section-6300), 6300) of Division-5, 5 of the Labor Code), the requirements of Article 1 (commencing with Section 25500) of Chapter 6.95, concerning hazardous material release response plans and inventories, the Porter-Cologne Water Quality Control Act (Division 7 (commencing with Section-13000), 13000) of the Water Code), or any other state or federal act allowing the disclosure of chemical information.

SEC. 4.

- *SEC. 5.* Section 3215 of the Public Resources Code is amended to read:
- 3215. (a) Within 60 days after the date of cessation of drilling, rework, hydraulic fracturing, or abandonment operations, or the date of suspension of operations, the owner or operator shall file with the district deputy, in a form approved by the supervisor, true copies of the log, core record, and history of work performed, and, if made, true and reproducible copies of all electrical, physical, or chemical—logs, tests, or logs and tests. Upon a showing of hardship, the supervisor may extend the time within which to comply with this section for a period not to exceed 60 additional days.
- (b) (1) The supervisor shall post the information provided pursuant to Section 3156 and that is not claimed as a trade secret pursuant to Section 3158 to existing Internet maps on the division's Internet Web site, and shall make that information available to the public in a way that the information is associated with each specific well where chemicals are injected for purposes of hydraulic fracturing.
- (2) For purposes of complying with the posting requirements of paragraph (1), the supervisor may use an existing public Internet

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Web site administered by the Ground Water Protection Council or the Interstate Oil and Gas Compact Commission if both all of the following are met:

- (A) The information is transmitted and posted to the public Internet Web site in a form and manner approved by the supervisor and includes the information provided to the supervisor pursuant to Section 3156, except for trade secret information pursuant to Section 3158.
- (B) There is an electronic link from the wells represented on the division's existing internet maps that allows members of the public to view the information about specific wells based on their location.
- (C) On and after January 1, 2014, the Chemical Disclosure Registry allows for the division staff and the public to aggregate data and search and sort the registry for information by geographic area, ingredient, Chemical Abstract Service number, time period, and operator.
- (D) Members of the public are permitted to copy, reproduce, modify, republish, upload, post, transmit, or distribute the information without restriction.

SEC. 5.

- *SEC.* 6. Section 3215.5 is added to the Public Resources Code, to read:
- 3215.5. (a) On-Notwithstanding Section 10231.5, on or before January 1, 2014, and annually thereafter, the supervisor shall prepare and transmit to the Legislature a comprehensive report regarding hydraulic fracturing in oil and gas exploration and production in California, using the information provided pursuant to Section 3156. Where the information involves trade secret protection, the supervisor shall only use information provided pursuant to paragraph (2) of subdivision (a) of Section 3159 to complete the report. The report shall additionally include, but is not limited to, the following relevant information:
  - (1) The disposition of water used in the treatments.
- (1) Aggregated data detailing the volumes of hydraulic fracturing fluid used during hydraulic fracturing, identifying whether it is water suitable for irrigation or domestic purposes, water not suitable for irrigation or domestic purposes, or something other than water.

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- 1 (2) Aggregated data detailing the disposition of hydraulic 2 fracturing fluid used to conduct hydraulic fracturing. 3

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- (3) Aggregated data detailing the volumes of each chemical used in hydraulic fracturing treatments in the state, in each county, and by each company, during the preceding year.
  - (4) The number of emergency responses to a spill or release.
- (5) The number of well failures.
- (6) Based on a representative sampling of information submitted to the division pursuant to subdivision (a) of Section 3159, the percentage of chemical information withheld within the representative sample as trade secret information.
- (b) A report to the Legislature pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.
- <del>(e)</del>

The requirement for submitting the report pursuant to subdivision (a) is inoperative seven years after the date the first report is due, pursuant to Section 10231.5 of the Government Code. SEC. 6.

SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIIIB of the California Constitution.